

House Passes Eshoo Stock-Options Bill

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Washington, D.C. -- Rep. Anna G. Eshoo applauded today's House action on H.R. 3574, the Baker-Eshoo Stock Option Accounting Reform Act, which passed by a vote of 312-111. The bill will prevent implementation of a rule by the Financial Accounting Standards Board (FASB) requiring public companies to expense employee stock options from their reported earnings.

"Today's overwhelming vote in support of our legislation sends a strong message to rank and file employees across the country that Congress will protect option plans for them," said Eshoo, D-Palo Alto. "Without immediate action by Congress, FASB's ill-advised mandatory expensing rule will go into effect without any examination of its impact on American workers, their employers, or the U.S. economy, leaving the future of this important employee benefit in doubt."

The Baker-Eshoo bill, cosponsored by over 130 House Members including Democratic Leader Nancy Pelosi and Republican Whip Roy Blunt, requires the immediate expensing of the top five executives of a company. Small businesses are exempted from this obligation and cannot be required to expense options for the three years following an initial public offering. The bill prohibits SEC recognition of any further stock option expensing requirements pending the completion of economic impact studies by the Commerce and Labor Departments. Finally, the legislation would also enact new disclosure rules for companies who offer stock options, requiring them to disclose additional information regarding share value dilution and other stock option-related information.

"FASB has ignored the thoughtful input of thousands of affected employees and companies, and has even refused to 'road test' their proposed expensing formulas," Eshoo said. "Broad-based stock option plans are a critical tool for employee ownership, and mandatory expensing of employee stock options could lead to the elimination of these highly important programs. Such a significant change in corporate accounting should not be implemented without careful consideration. The Baker-Eshoo bill will give experts and policymakers outside of FASB the opportunity to study this issue and evaluate the consequences of the Board's proposal."

H.R. 3574 will now be sent to the Senate where similar legislation, S. 1890, has been introduced by Senators Mike Enzi, R-Wyoming, and Minority Leader Harry Reid, D-Nevada.

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